



# Madalena Energy

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## Madalena Energy benefits from Chevron's upbeat outlook on Vaca Muerta play

Shares of Madalena Energy (CVE:MVN) (OTC:MDLNF) were rising on Monday, on the back of comments made by Chevron chief executive John Watson on Friday that production from its 16,000 b/d Vaca Muerta play in Argentina will continue to rise in the coming months and years.

The Chevron joint venture with state-controlled YPF in the Loma de Lata area is just west of Madalena's Coiron Amargo block, where the junior company is currently drilling ahead in the Sierras Blancas light oil play and has conducted Vaca Muerta shale activities. Chevron cut a \$1.24 billion venture to capture a 50% stake in the Vaca Muerta shale and is currently ramping up activities, boding well for Madalena, which has prime acreage in this evolving area.

Indeed, Madalena has approximately 35,000 acres at Coiron Amargo alone, and over 132,000 net acres across all of its three blocks in the prolific Nequen Basin. Ongoing drilling and completion activities in Argentina alongside a potential joint venture announcement for one of the junior's blocks continues to be the next catalysts for the stock.

The Vaca Muerta play is believed to be the world's second-largest shale gas and the fourth-largest shale oil formation.

In a quarterly earnings conference call with analysts on Friday, Chevron CEO Watson said its Argentina Vaca Muerta venture is producing about 16,000 barrels per day of oil, which is expected to continue to rise in the near future.

"I think you'll start to see [production grow] from here. There's lots of oil infrastructure there now; YPF is doing a nice job and we're sending in technical and other people to support them." Chevron is partnering with Argentinian state-owned YPF to develop part of the shale play.

Watson also said the joint venture is running 15 rigs in the play and that four more rigs will be added over time.

"We're optimistic we'll see continued growth," he said. "It's very early days at this point. There's probably more to come, but you should see benefits in production before too long."

Aside from Vaca Muerta, Madalena is also busy developing the Sierras Blancas play on its blocks in Argentina, saying last month it was moving its rig to the second horizontal well to be drilled in the Sierras Blancas light oil reservoir at its Coiron Amargo block, after some stellar results from the first horizontal well late last year. The company has a total of six Sierras Blancas conventional light oil pools discovered so far at Coiron Amargo.

Recent reports about Madalena suggest the company is undervalued, especially since Gas y Petróleo del Neuquén's (GyP) resurrected its plans to launch an IPO on the Buenos Aires stock exchange later this year. Haywood Securities analyst Darrell Bishop in January raised his price target by 20 cents on Madalena after recent commentary from GyP about the upcoming public listing suggested the company is targeting an IPO valuation of \$8,000 an acre.

Applying \$40,000/boe/d --- what Bishop says is the lower end of recent junior Canadian liquids-rich transactions -- to Haywood's 2014 production estimate for Madalena of ~2,500 boe/d, implies a valuation of approximately \$100 million (\$0.27/sh) for the company's Canadian assets. This implies \$0.49, or \$1,310 per acre, attributed to Madalena's Nequen

**Price:** C\$0.63

**Market Cap:** C\$216.77M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** [www.madalena-ventures.com](http://www.madalena-ventures.com)

### Company Synopsis:

*Madalena is an independent, Canadian-based domestic and international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.*

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Basin assets, where oil majors are currently transacting at upwards of \$10,000 an acre, the analyst calculated.

Shares of Madalena were up 1.6% on Monday morning, at 64 Canadian cents on the TSX Venture Exchange.

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